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SOVIET UNION OFFERS TO SETTLE
IRANIAN FINANCIAL CLAIMS

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Iran has tried unsuccessfully several times to obtain this gold owed by the USSR under the terms of a 1942 financial agreement, as well as to get the dollars which are in payment for Iranian goods and services provided during World War II. Soviet refusal to discuss this issue has been a major cause of friction between the two countries.

Late last month the Soviet Union proposed that some of the outstanding border disputes between Iran and the USSR should be settled. Iran, in its reply of 4 July, insisted that all disputes be settled, particularly the question of the gold.

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The Soviet Union's apparent concession to Iran's urgent request for return of the gold, the conclusion of the 10 June barter trade agreement, and the appointment of a top-level Soviet diplomat, Lavrentiev, as ambassador to Iran, all suggest that the Soviet Union may be inaugurating a new policy toward Iran. These moves may be designed to show Prime Minister Mossadeq that an alternative exists to economic and political ties with the West.

If Mossadeq succeeds in obtaining the gold, he will be able to exploit it as a considerable victory in his struggle to make Iran strong and independent. The prime minister is badly in need of something to generate public support and interest. He induced his followers to withdraw from the Majlis, thus making it ineffective, because he feared the opposition. Recent progovernment demonstrations including that of 21 July, have been smaller and less enthusiastic than earlier ones. New support in the form of a diplomatic victory over the USSR coming at this time could enable him to secure popular approval

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for dismissing the Majlis and holding new elections.

While the delivery of the gold would be a tremendous psychological boost, actually the \$21,000,000 dollars under discussion would cover at best three or four months of current expenses for Iran's oil-less economy. It is accordingly not a solution to Iran's economic and financial problems.

The Soviet Union and the Tudeh would benefit by the return of the gold. Soviet action in making about \$21,000,000 available lends itself as a contrast to American failure to grant financial aid.

The Tudeh can be expected to use the development as a major propaganda theme to win popular support and whip up enthusiasm for the cause of Iranian-Soviet friendship. The last two demonstrations by the Tudeh, permitted by Mossadeq although the party is illegal, indicate a marked increase in Tudeh capabilities. On 22 June, an anti-American Communist demonstration turned out about 12,000 well-disciplined participants. On 21 July, an estimated 50,000 well-organized

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Communist sympathizers demonstrated against Point IV and the American military missions. In both cases the Communists outnumbered the nationalist demonstrators by two or three to one.

Mossadeq's generally tolerant attitude toward the Tudeh during the last two years has permitted the party to increase its potential. His occasional acceptance of Tudeh support has also helped make the party a force with which to reckon. It may even be in a position to elect deputies to the next Majlis. The Tudeh's disciplined public appearance suggests that it may become a direct threat to public order at any time.